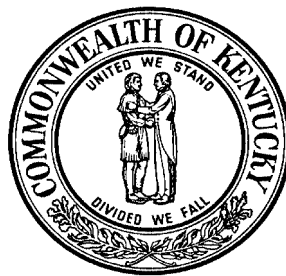


**REPORT OF THE AUDIT OF THE
MCCRACKEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Danny Orazine, McCracken County Judge/Executive

Honorable Frank G. Augustus, McCracken County Sheriff

Members of the McCracken County Fiscal Court

The enclosed report prepared by Kapp & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of McCracken County, Kentucky, for the year ended December 31, 2001.

We engaged Kapp & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kapp & Company, PLLC evaluated the McCracken County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Enclosure



**REPORT OF KAPP & COMPANY, PLLC
AUDIT EXAMINATION OF THE
MCCRACKEN COUNTY SHERIFF**

Calendar Year 2001

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCCRACKEN COUNTY SHERIFF

Calendar Year 2001

Kapp & Company, PLLC has completed the McCracken County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$566,123 from the prior calendar year, resulting in excess fees of \$1,496,713 as of December 31, 2001. Revenues increased by \$506,086 from the prior year and disbursements decreased by \$60,037.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Financial Notes:

Grants

During calendar year 2001, the Sheriff received proceeds from two federal grants and one state grant. The federal grant proceeds were \$14,927 from the Traffic Alcohol Program and \$619 from Drug Awareness and Resistance Education Fund. The state grant proceeds were \$5,245 for the Methamphetamine Grant.

Kentucky Law Enforcement Incentive Program

The McCracken county Sheriff is involved in the Kentucky Law Enforcement Incentive Program administered by the Department of Justice. This program is designed to encourage officers to become more adequately trained. During 2001 the Sheriff received \$109,377 under this program.

Drug Enforcement Fund

The Sheriff has custody of a bank account that contains the Drug Fund and Drug Awareness and Resistance Education Fund. The account is funded by donations and court ordered forfeitures and contributions. The funds are used to pay for various enforcement operations, equipment and education. As of January 1, 2001 the account balance was \$44,414; during the year funds were received in the amount of \$43,872 and funds were disbursed in the amount of \$31,142, leaving a balance of \$57,143 as of December 31, 2001.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



Kapp & Company, PLLC
Certified Public Accountants &
Business Advisors

To the People of Kentucky
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Honorable Frank G. Augustus, McCracken County Sheriff
Members of the McCracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of McCracken County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Danny Orazine, County Judge/Executive
Honorable Frank G. Augustus, McCracken County Sheriff
Members of the McCracken County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 3, 2002 on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
October 3, 2002

MCCRACKEN COUNTY
FRANK G. AUGUSTUS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Grants:

Traffic Alcohol Program Grant	\$ 14,927	
DARE Grant	<u>619</u>	\$ 15,546

State Grant:

Methamphetamine Grant		5,245
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State Fees For Services:

Kentucky Law Enforcement Incentive Program	\$ 109,377	
Finance and Administration Cabinet	33,593	
Return of Fugitives	8,067	
Overtime Incentive	5,503	
Cabinet For Human Resources	4,470	
Performance Bond	<u>91</u>	161,101

Circuit Court Clerk:

Sheriff Security Service	\$ 29,200	
Fines and Fees Collected	5,307	
Court Ordered Payments	<u>707</u>	35,214

Fiscal Court

78,822

County Clerk - Delinquent Taxes

6,742

Commission On Taxes Collected

1,008,176

Fees Collected For Services:

Auto Inspections	\$ 38,605	
Accident and Police Reports	787	
Serving Papers	83,907	
Carrying Concealed Deadly Weapon Permits	<u>10,635</u>	133,934

Other:

Sheriff Fees	\$ 72,711	
Advertising	14,860	
Insurance Reimbursement	4,978	
Repayment of Loan	5,000	
Execution	1,216	
Miscellaneous	<u>2,125</u>	100,890

MCCRACKEN COUNTY
FRANK G. AUGUSTUS, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Receipts (Continued)

Interest Earned	\$	48,317
Total Receipts	\$	1,593,987

Disbursements

Operating Disbursements and Capital Outlay:

Contracted Services-		
Advertising	\$	493
Other Charges-		
Carrying Concealed Deadly Weapon Permits		7,555
KSP - UOR		155
Refunds		40
Sheriff's Sales		5,258
Miscellaneous		2,680
Capital Outlay-		
Office Equipment		2,271
Total Disbursements	\$	18,452
Net Receipts	\$	1,575,535
Less: Statutory Maximum		78,822
Excess Fees Due County for Calendar Year 2001	\$	1,496,713
Payments to County Treasurer:		
Monthly Payments	\$	1,451,273
Credit for Overpayment of Interest (Note 7)		45,439
		1,496,712
Balance Due at Completion of Audit	\$	0

The accompanying notes are an integral part of the financial statement.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Fee Pooling

The McCracken County Fiscal Court approved a fee pooling system for the County Sheriff. Under the fee pooling system, revenues net of direct expenses of the County Sheriff's office are paid to the County Treasurer in the subsequent month. Therefore, the County pays almost all of the expenses of the County Sheriff's office.

D. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Grants

During the calendar year 2001, the Sheriff received proceeds from two federal grants and one state grant. The federal grants were the Traffic Alcohol Program in the amount of \$14,927 and the DARE grant in the amount of \$619. The State grant was the Methanfetimine grant in the amount of \$5,245.

Note 5. Kentucky Law Enforcement Incentive Program

The McCracken County Sheriff is involved in the Kentucky Law Enforcement Incentive Program administered by the Department of Justice. This program is designed to encourage officers to become more adequately trained. During 2001, the Sheriff received \$109,377 under this program.

Note 6. Drug Fund and Drug Awareness and Resistance Education Fund

The Sheriff has custody of a bank account that contains the Drug Fund and Drug Awareness and Resistance Education Fund. The account is funded by donations and court ordered forfeitures and contributions. The funds are used to pay for various drug enforcement operations, equipment and education. As of January 1, 2001 the account balance was \$44,414; during the year funds were received in the amount of \$43,872 and funds were disbursed in the amount of \$31,143, leaving a balance of \$57,143 as of December 31, 2001.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 7. Credit For Overpayment of Interest

The Sheriff paid interest totaling \$28,331 and \$17,108 to the county instead of the schools for 1999 and 2000 tax collections. The total interest due from the county was \$45,439. The Sheriff withheld these funds from the fiscal court and then paid these funds to the schools. KRS 134.140 (3) requires the Sheriff to pay the schools the proper share of interest earned on the investment of school tax collections.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Kapp & Company, PLLC
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To the People of Kentucky
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Members of the McCracken County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the McCracken County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated October 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the McCracken County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCracken County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
October 3, 2002

